

Signed off by	Head of Corporate Policy, Projects and Performance, Chief Finance Officer
Author	David Brown, Finance Manager Luke Harvey, Project & Performance Team Leader Ross Tanner, Performance Officer Pat Main, Chief Finance Officer
Telephone	Tel: 01737 276519 Tel: 01737 276063
Email	David.Brown@reigate-banstead.gov.uk Luke.Harvey@reigate-banstead.gov.uk Ross.Tanner@reigate-banstead.gov.uk pat.main@reigate-banstead.gov.uk
To	Overview and Scrutiny Committee Executive
Date	Thursday, 8 December 2022 Thursday, 15 December 2022
Executive Member	Deputy Leader and Portfolio Holder for Finance and Governance, Portfolio Holder for Corporate Policy and Resources

Key Decision Required	N
Wards Affected	(All Wards);
Subject	Quarter 2 2022/23 performance report

Recommendations

That the Overview and Scrutiny Committee:

- (i) **Notes the Key Performance Indicator performance for Q2 2022/23 as detailed in the report and Annex 1 and makes any observations to the Executive;**
- (ii) **Notes the Budget Monitoring forecasts for Q2 2022/23 as detailed in the report and at Annexes 2 and 3 and makes any observations to the Executive;**

That the Executive:

- (iii) **Notes the Key Performance Indicator performance for Q2 2022/23 as detailed in the report and Annex 1;**
- (iv) **Notes the Budget Monitoring forecasts for Q2 2022/23 as detailed in the report and at Annexes 2 and 3.**

Reasons for Recommendations

For the Council's performance to be reviewed and for appropriate KPI reporting and budget monitoring arrangements to be in place.

Executive Summary

This report provides an overview of the Council's performance for Q2 2022/23, including Key Performance Indicator (KPI) reporting, as well as revenue and capital budget monitoring. It also includes a progress update on the Financial Sustainability Programme.

The Overview and Scrutiny Committee and Executive have the authority to approve the above recommendations.

Statutory Powers

1. Following the abolition of Best Value Performance Indicators (BVPI) in 2008 and the National Indicator Set (NIS) in 2010, there is no statutorily imposed framework for local authorities to manage performance.
2. The Local Government Act 1972 requires the Council to set the associated annual budget as part of proper financial management. This monitoring report is part of that process.
3. The Chief Finance Officer has a key role to play in fulfilling the requirements of the statutory duty under the Local Government Act 2003 to keep the authority's finances under review during the year and act if there is evidence that financial pressures will result in a budget overspend or if there is a shortfall in income.

Background

4. Each Quarter the Overview and Scrutiny Committee and Executive receive an update on the Council's performance. The report provides an overview of KPI as well as budgetary performance.

5. KPIs are corporate performance measures and are set in order to demonstrate performance against key corporate objectives.
6. Quarterly budget monitoring is a key financial control mechanism that demonstrates that the Council is fulfilling its responsibilities for managing public funds.
7. In November 2021 the Executive approved proposals to pursue a Financial Sustainability Programme to address the forecast Medium Term Financial Plan revenue budget gap. This included a commitment to provide quarterly progress updates on delivery of the Programme.

Key Information

Key Performance Indicators – Q2 2022/23

8. Ten KPIs are reported on in Q2 of 2022/23, the full detail of which is provided in Annex 1.
9. Of the ten KPIs reported on, nine are on target or within agreed tolerances
10. KPI 3 – which tracks the turnover of the Council's staff – is off target and outside of its tolerance, resulting in it being red rated in Q2. The Council has seen lower than expected turnover over the last few years. A buoyant labour market and pent-up demand for a job-move from the pandemic are likely to have contributed to this increase. The current increase in turnover is being managed, with workloads carefully monitored and balanced and resources redeployed if required. Recruitment for a number of vacant posts is currently underway.

Cost-of-living in Reigate and Banstead

11. At the last meeting, in addition to the normal reporting of KPIs, members of the Overview & Scrutiny Committee requested information on current cost-of-living challenges facing the borough's residents. A suite of data and measures is currently being prepared, and an all-member briefing on this issue is expected to be issued shortly.

Revenue Budget Forecast

12. The 2022/23 Original Revenue Budget approved by Council in February 2022 was £19.980m.
13. At 30 September the forecast outturn for Services and Central Budgets is £19.113m against a management budget of £20.062m, including £0.081m of unspent budget carried forward from 2021/22, resulting in an overall forecast net underspend of £0.948m (4.7%).

Table 1: REVENUE BUDGET MONITORING at 30 Sept 2022	Original Budget £m	In-Year Adjustments £m	Management Budget £m	Forecast Outturn £m	Forecast Year-end Variance £m
Service Budgets	18.022	(0.043)	17.980	17.706	(0.274)
Central Budgets	1.958	0.124	2.082	1.407	(0.674)
Revenue Budget Forecast at 30 Sept	19.980	0.081	20.062	19.113	(0.948)

Service Budgets

14. The 2022/23 Original Budget for Services approved by Council in February 2022 was £18.022m.
15. At 30 September the full year outturn is forecast to be £17.706m against a Management Budget of £17.980m resulting in an underspend of £0.274m.
16. The key variances are:

Organisation:

- Property & Facilities Energy Costs - £0.332m overspend due to higher costs of electricity and gas.
- Organisational Development & Human Resources - £0.120m underspend due to vacancies across the team.
- Legal Services - £0.134m underspend due to vacancies.

Place

- Refuse & Recycling - £0.495m underspend due to increased income from a higher volume of Garden Waste subscriptions, lower waste disposal costs and lower temporary staff requirement.
- Car Parking - £0.262m underspend due to higher than expected income from Pay & Display car parks and lower staff costs.
- Building Control - £0.102m underspend due to projected surplus rather than the loss anticipated when the budget was approved

People

- Revenues, Benefits & Fraud - £0.464m overspend due to net impact of lower subsidy and higher Housing Benefit costs partially offset by lower net staff costs and higher Fees & Charges income.
- Harlequin - £124k underspend driven by higher income from Amateur Shows and lower staff costs due to vacancies.

Central Budgets

17. The Original Budget for Central budgets approved by Council in February 2022 was £1.958m
18. At 30 September the forecast outturn is £1,407k against a Management Budget of £2.082m resulting in an underspend of £0.674m (32.4%).
19. This underspend is mainly a result of higher net interest receivable on treasury investments than originally expected.

Investment Income

20. Forecast income from property rents at Quarter 2 is £4.111m compared to the £4.316m that was received in 2021/22. This represents 20.5% of the net revenue budget for 2022/23.

Government Funding Distribution

21. Following on from grant distribution arrangements during the COVID-19 pandemic, the Government continues to require local authorities to act as its agent in distributing

new funding streams to local residents. The sums distributed during Quarter 1 are summarised at Annex 2, Section 2.1.

22. While some additional administration funding has been provided, administration of these duties remains challenging and places additional demands on capacity in the Revenues, Benefits & Fraud and Finance teams. Also on the service teams that administer the funding streams.

Capital Programme Monitoring

23. At 30 September, the Capital Programme Budget was £67.64m (including £36.98m of approved carry-forward capital allocations from 2021/22).
24. Council approved an additional £0.375m expenditure on Preston Parking Improvements. This will be funded through a Strategic CIL allocation that was approved in Quarter 1.
25. The forecast outturn position is £31.86m which is £35.78m (53%) below the approved Programme for the year. The variance is driven by £35.54m slippage and a net underspend of £0.24m.
26. The main reasons for the slippage at the end of Quarter 1 were:
 - Housing Delivery Programme (£30.0m slippage) – these capital funds have been allocated to fund investment in new affordable housing. There are no specific developments planned at this time. Forecasts will be updated when new business cases are developed.
 - Beech House (£3.0m slippage) with expenditure now expected in 2023/24, subject to business case approval.
 - Merstham Recreation Ground (£1.36m) slippage with construction expenditure now expected in 2023/24.

Financial Sustainability Programme (FSP) Update

27. Taking into account the forecast funding gap that the Council is facing, the parameters within which it can operate, and building on experience to date, in November 2021 the Executive agreed to pursue a Financial Sustainability Programme.
28. The Medium-Term Financial Plan presented to the Overview and Scrutiny Committee and Executive in July 2022 set out the latest financial forecasts and explained the approach that is being taken with respect of the Programme.
29. The Programme comprises the projects and activities that are being deployed to address the Council's financial sustainability challenges over coming years and is key to overcoming them.
30. An update on Financial Sustainability Programme activity in Quarter 2 of 2022/23 is available at Annex 4.

Options
<p>31. The Overview and Scrutiny Committee has two options:</p> <ul style="list-style-type: none"> • Option 1: Note the report and make no observations to the Executive. • Option 2: Note the report and make any observations to the Executive. <p>32. The Executive has two Options:</p> <ul style="list-style-type: none"> • Option 1: Note the report and make no observations/comments to the Head of Corporate Policy, Projects and Business Assurance and/or Head of Finance. • Option 2: Note the report and make any observations/comments to the Head of Corporate Policy, Projects and Business Assurance and/or Head of Finance.
Legal Implications
33. There are no legal implications resulting from this report
Financial Implications
34. There are no additional financial implications arising from this report.
Equalities Implications
35. There are no equalities implications arising from this report.
Communication Implications
36. There are no communication implications arising from this report.
Environmental Sustainability Implications
37. There are no environmental sustainability implications arising from this report.
Risk Management Considerations
38. There are no additional risk management implications arising from this report.
Other Implications
39. There are no other implications arising from this report.
Consultation
40. The report has been reviewed by the Council's Corporate Governance Group.
Policy Framework
41. Robust performance management is integral to measuring the extent to which policy objectives have been achieved.

Background Powers

None